

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Clinton Macomb Public Library	County Macomb
Fiscal Year End 11/30/06	Opinion Date March 12, 2007	Date Audit Report Submitted to State March 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

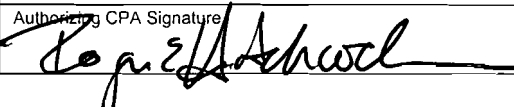
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik		Telephone Number 248-340-6050	
Street Address 3201 University Drive Suite 350		City Auburn Hills	State MI
		Zip 48326	
Authorizing CPA Signature 		Printed Name Roger E. Hitchcock	License Number 1101014461

Audited Financial Statements

Clinton-Macomb Public Library

Year Ended November 30, 2006
With Report of Independent Auditors

Clinton-Macomb Public Library

Audited Financial Statements

Year Ended November 30, 2006

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ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

To the Board of Trustees
Clinton-Macomb Public Library
Clinton Township, Michigan

We have audited the basic financial statements of the Clinton-Macomb Public Library (the Library) as of November 30, 2006, and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Clinton-Macomb Public Library, as of November 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Clinton-Macomb Public Library. The information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Library has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
March 12, 2007

Clinton-Macomb Public Library

Governmental Fund Balance Sheet / Statement of Net Assets
November 30, 2006

	Governmental Funds - Modified Accrual Basis			Adjustments	Statement of Net Assets
	General	Debt Service	Total		
Assets:					
Cash and cash equivalents	\$ 1,632,327	\$ 622	\$ 1,632,949	\$ -	\$ 1,632,949
Deposits	-	-	-	38,522	38,522
Library store inventory	28,066	-	28,066	-	28,066
Bond issue costs, net of amortization	29,870	-	29,870	-	29,870
Prepaid expenses	37,449	-	37,449	-	37,449
Interest and taxes receivable	19,835	-	19,835	-	19,835
Fixed assets, net of accumulated depreciation	-	-	-	18,561,484	18,561,484
Total assets	<u>\$ 1,747,547</u>	<u>\$ 622</u>	<u>\$ 1,748,169</u>	<u>18,600,006</u>	<u>20,348,175</u>
Liabilities:					
Trade accounts payable	\$ 10,573	\$ -	\$ 10,573	\$ -	\$ 10,573
Accrued wages	65,677	-	65,677	-	65,677
Accrued payroll taxes	5,659	-	5,659	-	5,659
Pension contribution payable	4,657	-	4,657	-	4,657
Other liabilities	7,463	-	7,463	-	7,463
Accrued interest payable	-	-	-	112,203	112,203
Bonds payable, due within one year	-	-	-	400,000	400,000
Bonds payable, due after one year	-	-	-	14,828,958	14,828,958
Compensated absences	-	-	-	141,676	141,676
Total liabilities	<u>94,029</u>	<u>-</u>	<u>94,029</u>	<u>15,482,837</u>	<u>15,576,866</u>
Fund Balances/Net Assets:					
Fund balances-unreserved and undesignated	<u>1,653,518</u>	<u>622</u>	<u>1,654,140</u>	<u>(1,654,140)</u>	<u>-</u>
Total fund balances	<u>1,653,518</u>	<u>622</u>	<u>1,654,140</u>	<u>(1,654,140)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,747,547</u>	<u>\$ 622</u>	<u>\$ 1,748,169</u>		
Net Assets:					
Invested in capital assets, net of related debt				3,332,526	3,332,526
Restricted for debt service payments				622	622
Unrestricted				<u>1,438,161</u>	<u>1,438,161</u>
Total net assets				<u>\$ 4,771,309</u>	<u>\$ 4,771,309</u>

Clinton-Macomb Public Library

Statement of General Fund Revenues, Expenditures, and
Changes in Fund Balance / Statement of Activities
For the year ended November 30, 2006

	Governmental Funds - Modified Accrual Basis				Statement of Activities
	General	Debt Service	Total	Adjustments	
Revenues:					
Property taxes	\$ 5,125,776	\$ -	\$ 5,125,776	\$ -	\$ 5,125,776
Intergovernmental - State Aid	102,431	-	102,431	-	102,431
Penal fines	190,106	-	190,106	-	190,106
Library fines and fees	197,502	-	197,502	-	197,502
Library store	29,979	-	29,979	-	29,979
Interest	125,626	27	125,653	-	125,653
Contributions and donations	29,581	-	29,581	-	29,581
Miscellaneous	50,975	-	50,975	-	50,975
Total revenues	5,851,976	27	5,852,003	-	5,852,003
Expenditures:					
General government:					
Salaries and wages	1,976,542	-	1,976,542	16,702	1,993,244
Employee benefits	521,667	-	521,667	-	521,667
Operating supplies	56,531	-	56,531	-	56,531
Voice and data services	57,848	-	57,848	-	57,848
Library store	18,683	-	18,683	-	18,683
Miscellaneous	5,516	-	5,516	-	5,516
Insurance	28,506	-	28,506	-	28,506
Contract maintenance	80,759	-	80,759	-	80,759
Facilities maintenance	261,574	-	261,574	12,286	273,860
Utilities	186,927	-	186,927	-	186,927
Rent	290,228	-	290,228	-	290,228
Programs - youth & adult	14,564	-	14,564	-	14,564
Periodicals	17,117	-	17,117	-	17,117
Electronic subscriptions	107,532	-	107,532	-	107,532
Conferences, workshops and travel	51,286	-	51,286	-	51,286
Professional fees	92,953	-	92,953	-	92,953
Publicity	83,806	-	83,806	-	83,806
Capital outlay:					
Library books and materials	413,627	-	413,627	(413,627)	-
Capital outlay	83,454	-	83,454	(70,735)	12,719
Depreciation	-	-	-	2,319,839	2,319,839
Debt service:					
Principal	-	300,000	300,000	(300,000)	-
Interest and fiscal charges	44,034	609,772	653,806	17,915	671,721
Total expenditures	4,393,154	909,772	5,302,926	1,582,380	6,885,306
Excess (deficiency) of revenues over expenditures/ change in net assets	1,458,822	(909,745)	549,077	(1,582,380)	(1,033,303)
Other financing sources (uses)					
Other financing source - proceeds from refunding bonds	-	9,795,000	9,795,000	(9,795,000)	-
Other financing use - transfer to escrow	-	(9,515,143)	(9,515,143)	9,515,143	-
Other financing use - bond issuance costs	-	(107,000)	(107,000)	107,000	-
Other financing use - bond discount	-	(172,857)	(172,857)	172,857	-
Operating transfers in	-	909,772	909,772	(909,772)	-
Operating transfers out	(909,772)	-	(909,772)	909,772	-
Total other financing sources (uses)	(909,772)	909,772	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses/change in net assets	549,050	27	549,077	(1,582,380)	(1,033,303)
Fund balance/net assets, December 1, 2005	1,104,468	595	1,105,063	4,699,549	5,804,612
Fund balance/net assets, November 30, 2006	\$ 1,653,518	\$ 622	\$ 1,654,140	\$ 3,117,169	\$ 4,771,309

Clinton-Macomb Public Library

Notes to Financial Statements

November 30, 2006

1. Nature of Organization and Summary of Significant Accounting Policies

Introduction

The Clinton-Macomb Public Library (the Library) complies with accounting principles generally accepted in the United States of America as applicable to governmental units. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The more significant of the Library's accounting policies are described below.

Financial Reporting Entity

The Clinton-Macomb Public Library was organized by the Charter Township of Clinton and Chippewa Valley Schools and began operations May 1, 1992. The District Library agreement was amended on May 12, 1997 to include Macomb Township as a participating municipality. Subsequent to Macomb Township joining Clinton Township as a participating municipality of the Clinton-Chippewa Valley District Library, in May 1997, the name of the district library was changed to Clinton-Macomb Public Library. The Library operates under the authority of the Michigan District Library Establishment Act, Public Act 24 of 1989, as amended, and is governed by an eight-member appointed Board of Trustees. It provides resources for the informational, educational, cultural and recreational needs of its patrons.

In evaluating how to define the Library for financial reporting purposes, management has considered all potential component units. The decision to include or not include a potential component unit in the reporting entity was made by applying the criteria set forth in the accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, *The Financial Reporting Entity*.

Based upon the application of the criteria, the government-wide financial statements of the Library contain all the funds controlled by the Library's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting of the Library conforms to accounting principles generally accepted in the United States of America as applicable to governmental units.

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three components – invested in capital assets, net of related debt; restricted for debt service payments; and unrestricted net assets.

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. Governmental funds are used to account for all or most of the Library's general activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Governmental funds and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both "measurable and available"). Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest and special assessments are susceptible to accrual. Other revenues become measurable and available when cash is received by the Library and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Library reports the following major governmental funds:

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Debt Service Fund

This fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the Library. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first out (FIFO) basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to the future fiscal year and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15-30 years
Buildings	30 years
Building components	10-30 years
Building and leasehold improvements	7-30 years
Furniture and equipment	5-15 years
Library materials	5-7 years

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, if applicable, as well as issuance costs, are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the bonds. Long-term debt is shown net of the related bond reacquisition costs, which are deferred and amortized over the life of the outstanding bonds.

In the fund financial statements, governmental-type funds recognize bond premiums and discounts in the current period. The face amount of debt issued is reported as other financing sources in the statement of governmental fund revenues, expenditures, and changes in fund balance.

Employee Vacation and Sick Leave (Compensated Absences)

Library employees have a vested right to receive payment for unused vacation and sick leave under conditions specified in the personnel policy manual. Accruals for these liabilities are recorded as earned by employees and reported in the government-wide financial statements.

Fund Equity

In the fund financial statements, the unreserved fund balances represent the amount available for budgeting future operations. Designations of unreserved fund balances in governmental funds indicate tentative plans for use of financial resources in a future period.

Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Deposits and Investments

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan associations or credit unions, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash deposits and investments are carried at cost. Cash deposits and certificates of deposit of the Library are in the name of the Library at four banks.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

2. Deposits and Investments (continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be recovered. The Library's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Library's deposits for custodial credit risk. At year end, the Library's deposit balance of \$1,712,039 had \$1,312,039 of bank deposits (checking accounts, savings accounts, and CDs with maturities of less than 90 days) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a deposit policy for custodial credit risk of investments. The Library minimizes its risks by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which it does business using the criteria established in the Investment Policy.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy minimizes interest rate risk by designing the portfolio with the objective of attaining a rate of return throughout the budgetary and economic cycles, commensurate with the Library's investment risk constraints and the cash flow characteristics of the portfolio.

Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Library's investments are limited by those authorized under Public Act 20 of 1943 (as amended) for custodial credit risk. The Library has no other investment policies further limiting its investment choices.

Certificates of deposit are not rated however, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

2. Deposits and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer. The Library places a one million dollar limit on the amount the Library may invest in any one issuer. The Library's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Library's policy prohibit investment in foreign currency.

3. Fixed Assets

A summary of fixed asset activity of the Library is as follows:

	Balance 11/30/2005	Additions	Disposals	Balance 11/30/2006
Capital assets not being depreciated:				
Land	\$ 512,000	\$ -	\$ -	\$ 512,000
Total assets not being depreciated	512,000	-		512,000
Capital assets being depreciated:				
Land improvements	1,414,008	-	-	1,414,008
Buildings and improvements	14,368,870	5,600	-	14,374,470
Leasehold improvements	1,734,346	-	-	1,734,346
Furniture and fixtures	2,150,936	13,110	-	2,164,046
Equipment	2,251,076	52,025	-	2,303,101
Library books and materials	5,058,196	413,627	(998,423)	4,473,400
	26,975,142	484,362	(998,423)	26,461,081
Accumulated depreciation	(7,092,471)	(2,319,839)	(998,423)	(8,413,887)
Net capital assets being depreciated	19,882,671	(1,835,477)	-	18,047,194
Total net capital assets	\$ 20,396,961	\$ (1,835,477)	\$ -	\$ 18,561,484

4. Long-Term Debt

The Library issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences, which is the liability to employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation based on length and amount of service with the Library.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

4. Long-Term Debt (continued)

Refunded Bonds

On June 28, 2006, the Library issued \$9.8 million in limited tax general obligation refunding bonds with interest rates ranging between 3.75% and 4.20%. The Library issued the bonds to advance refund \$9.1 million of the outstanding series 2002 limited tax general obligation bonds with an interest rate of 5.00%. The Library used the net proceeds of the bonds to purchase United States government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2002 series bonds. As a result, that portion of the 2002 series bonds is considered defeased. Accordingly, the Library has removed the liability from its accounts.

The outstanding principal of the defeased bonds is \$9,100,000 at November 30, 2006. The defeased bonds will be redeemed on April 1, 2011 by the escrow agent.

The advance refunding reduced total debt service payments over the next 20 years by \$445,228. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$398,923.

The following is a summary of governmental long-term obligations of the Library for the year ended November 30, 2006.

	Compensated Absences	Bonds	Total
Balance – December 1, 2005	\$ 124,974	\$ 15,500,000	\$ 15,624,974
Additions	16,702	9,795,000	9,811,702
Bonds defeased	–	(9,100,000)	(9,100,000)
Retirements and payments	–	(300,000)	(300,000)
Balance – November 30, 2006	141,676	15,895,000	16,036,676
Less: current portion	–	400,000	400,000
Less: unamortized bond reacquisition costs	–	666,042	666,042
Total due after one year	<u>\$ 141,676</u>	<u>\$ 14,828,958</u>	<u>\$ 14,970,634</u>

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

4. Long-Term Debt (continued)

Bonds payable at November 30, 2006 are comprised of the following issues:

2006 Refunding Bonds (Limited Tax General Obligation) dated June 28, 2006, due in annual installments of principal ranging from \$20,000 to \$1,115,000 plus accrued interest, at rates ranging from 3.75% to 4.20% through April 1, 2027. \$ 9,795,000

2002 Library Building and Site Bonds (Limited Tax General Obligation), dated March 1, 2002, due in annual installments of principal ranging from \$400,000 to \$700,000 plus accrued interest, at rates ranging from 3.9% to 5.00% through April 1, 2017. 6,100,000

Total bonds payable \$ 15,895,000

The annual requirements to service the outstanding debt to maturity (excluding compensated absences), are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 400,000	\$ 665,418	\$ 1,065,418
2008	400,000	649,617	1,049,617
2009	500,000	631,118	1,131,118
2010	500,000	609,867	1,109,867
2011	500,000	588,117	1,088,117
2012-2016	3,350,000	2,512,116	5,862,116
2017-2021	4,090,000	1,693,969	5,783,969
2022-2027	6,155,000	793,916	6,948,916
Total	<u>\$ 15,895,000</u>	<u>\$ 8,144,138</u>	<u>\$ 24,039,138</u>

Interest expenditures for all long-term debt for the year ended November 30, 2006 total \$609,772.

5. Operating Leases

The Library entered into a 10-year non-cancelable operating lease dated May 3, 1999, for the rental of land and buildings located in the Charter Township of Clinton (South Branch). The lease requires monthly payments of \$7,264, with annual adjustments based upon the Consumer Price Index – United States. The lease carries a renewal option for two additional five-year periods. The lease requires the Library to pay for utilities and insurance.

The Library entered into a 10-year non-cancelable operating lease dated August 11, 2000, for the rental of land and buildings located in Macomb Township (North Branch). The lease requires monthly payments of \$15,189 during the first five years and \$17,476 during the second five years. The lease requires the Library to pay for utilities and insurance.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

5. Operating Leases (continued)

Future minimum rental payments for each of the succeeding five fiscal years are as follows:

2007	\$ 296,884
2008	296,884
2009	296,884
2010	139,812

Rent expenditures related with these agreements for the year ended November 30, 2006 total \$290,228.

6. Retirement Programs

Defined Contribution Plan

The Clinton-Macomb Public Library Employee Money Purchase Plan is a defined contribution plan pursuant to Section 414(h) of the Internal Revenue Code, established by the Library to provide benefits at retirement to eligible employees. The plan is administered by Nationwide Retirement Solutions. The Library is required to contribute 10% of annual compensation to the plan. The Library contributed \$151,474 to the plan for the year ended November 30, 2006.

Deferred Compensation Plan

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. There are no employer contributions required by the plan. During the year ended June 30, 1997, the law was changed to allow trusts to be created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The Library's plan administrator, Nationwide Retirement Solutions, created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not reported in the Library's financial statements to properly reflect that the Library does not have any fiduciary or administrative responsibility for the plan.

7. Property Taxes

The Library, as an authorized district library, has levied .9016 mil for operating purposes in the Charter Township of Clinton and Macomb Township. Property taxes are collected and remitted to the Library by the Townships. Property taxes are levied and become a lien on each December 1 and are due by February 14. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days of year-end, which are recognized as revenue as of November 30.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

8. Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund and the Debt Service Fund. All annual appropriations lapse at the fiscal year end. The General Fund and Debt Service Fund's appropriated budgets are prepared on a detailed line item basis. The Library does not maintain a formalized encumbrance accounting system. Budget appropriations are considered to be spent once goods are delivered or services are rendered.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the August Board meeting, the Library Director submits to the Finance and Audit Committee, a proposed operating budget for the fiscal year commencing the following December 1. In August, the Finance and Audit Committee submit the proposed operating budget to the Library Board. The budget is legally adopted by a Library Board Resolution by September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Library's annual board meeting to obtain taxpayer comments.
3. Prior to December 1, the budget is legally adopted by a Library Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year, when necessary to adjust appropriations, if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the budgetary comparison schedule (accounting principles generally accepted in the United States of America) – General Fund and Debt Service Fund.
4. The Director is authorized to transfer budgeted amounts between line-items within an activity. However, the Library Board must approve any revisions that alter the total expenditures for any activity.
5. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to November 30.

Excess Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a fund, functional and line item basis.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

8. Stewardship, Compliance and Accountability (continued)

During the year ended November 30, 2006, the Library incurred expenditures in excess of the amounts appropriated as follows:

Budget Item	Budget Appropriation	Actual Expenditure	Variance
General Fund:			
Salaries and wages	\$ 1,975,300	\$ 1,976,542	\$ 1,242
Employee benefits	519,800	521,667	1,867
Contract maintenance	79,400	80,759	1,359
Facilities maintenance	257,100	261,574	4,474
Rent	290,200	290,228	28
Conferences, workshops and travel	48,600	51,286	2,686
Equipment	75,300	83,454	8,154
Interest and fiscal charges	-	44,034	44,034
Operating transfers out	909,700	909,772	72

9. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Library carries commercial insurance for claims related to these losses. The Library also carries commercial insurance for other risks of loss, including employee health and accident insurance.

The Clinton-Macomb Public Library Board of Trustees has approved a self-insurance plan for the Library with regard to short-term disability insurance and unemployment compensation. At November 30, 2006, the short-term disability insurance plan and the unemployment compensation plan were funded at \$48,000.

Clinton-Macomb Public Library

Notes to Financial Statements (continued)

10. Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental funds differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance – Modified Accrual Basis	\$ 1,654,140
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	18,561,484
Equipment capitalized in prior year returned to vendor for credit on future purchases	38,522
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(15,228,958)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the fund	(112,203)
Compensated absences are included as a liability	(141,676)
Net Assets – Full Accrual Basis	<u>\$ 4,771,309</u>
 Net Change in Fund Balance – Modified Accrual Basis	 \$ 549,077
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	484,362
Depreciation	(2,319,839)
Portion of vendor credit applied against expenditures	(12,286)
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	(16,702)
Amortization of the deferred charge on the refunding bonds is reported as an expenditure in the statement of activities but not in the fund statements	(29,870)
Decrease in accrued interest reported as an expenditure in the statement of activities, but not in the fund statements	11,955
Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	300,000
Net Change in Net Assets – Full Accrual Basis	<u>\$ (1,033,303)</u>

Required Supplementary Information

Clinton-Macomb Public Library

Budgetary Comparison Schedule
Year ended November 30, 2006

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 5,103,000	\$ 5,124,100	\$ 5,125,776	\$ 1,676
Intergovernmental - State Aid	114,300	102,400	102,431	31
Penal fines	165,000	190,100	190,106	6
Library fines and fees	190,000	191,100	197,502	6,402
Library store	30,000	29,000	29,979	979
Interest	75,000	120,800	125,626	4,826
Contributions and donations	27,500	29,700	29,581	(119)
Miscellaneous	45,300	50,000	50,975	975
Total revenues	5,750,100	5,837,200	5,851,976	14,776
Expenditures:				
General government:				
Salaries and wages	2,082,100	1,975,300	1,976,542	(1,242)
Employee benefits	572,700	519,800	521,667	(1,867)
Operating supplies	77,500	64,000	56,531	7,469
Voice and data services	58,800	58,900	57,848	1,052
Library store	21,700	18,800	18,683	117
Miscellaneous	14,100	7,600	5,516	2,084
Insurance	50,500	31,800	28,506	3,294
Contract maintenance	62,000	79,400	80,759	(1,359)
Facilities maintenance	306,000	257,100	261,574	(4,474)
Utilities	253,400	220,000	186,927	33,073
Rent	273,400	290,200	290,228	(28)
Programs - youth & adult	20,000	14,700	14,564	136
Periodicals	20,000	20,000	17,117	2,883
Electronic subscriptions	119,800	119,800	107,532	12,268
Conferences, workshops and travel	51,600	48,600	51,286	(2,686)
Professional fees	90,000	97,900	92,953	4,947
Publicity	93,500	95,000	83,806	11,194
Total general government	4,167,100	3,918,900	3,852,039	66,861
Capital outlay:				
Library books and materials	405,900	428,100	413,627	14,473
Equipment	58,600	75,300	83,454	(8,154)
Total capital outlay	464,500	503,400	497,081	6,319
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	44,034	(44,034)
Total debt service	-	-	44,034	(44,034)
Total expenditures	4,631,600	4,422,300	4,393,154	29,146
Excess (deficiency) of revenues over expenditures	1,118,500	1,414,900	1,458,822	43,922
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(1,078,500)	(909,700)	(909,772)	(72)
Total other financing sources (uses)	(1,078,500)	(909,700)	(909,772)	(72)
Excess (deficiency) of revenues and other sources over expenditures and other uses	40,000	505,200	549,050	43,850
Fund balance, December 1, 2005	1,104,468	1,104,468	1,104,468	-
Fund balance, November 30, 2006	\$ 1,144,468	\$ 1,609,668	\$ 1,653,518	\$ 43,850

Budgetary Comparison Schedule
Year ended November 30, 2006

	Debt Service Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - State Aid	-	-	-	-
Penal fines	-	-	-	-
Library fines and fees	-	-	-	-
Library store	-	-	-	-
Interest	-	-	27	27
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	27	27
Expenditures:				
General government:				
Salaries and wages	-	-	-	-
Employee benefits	-	-	-	-
Operating supplies	-	-	-	-
Voice and data services	-	-	-	-
Library store	-	-	-	-
Miscellaneous	-	-	-	-
Insurance	-	-	-	-
Contract maintenance	-	-	-	-
Facilities maintenance	-	-	-	-
Utilities	-	-	-	-
Rent	-	-	-	-
Programs - Youth & Adult	-	-	-	-
Periodicals	-	-	-	-
Electronic subscriptions	-	-	-	-
Conferences, workshops and travel	-	-	-	-
Professional fees	1,025	1,025	-	1,025
Publicity	-	-	-	-
Total general government	1,025	1,025	-	1,025
Capital outlay:				
Library books and materials	-	-	-	-
Equipment	-	-	-	-
Total capital outlay	-	-	-	-
Debt service:				
Principal	300,000	300,000	300,000	-
Interest and fiscal charges	609,772	609,772	609,772	-
Total debt service	909,772	909,772	909,772	-
Total expenditures	910,797	910,797	909,772	1,025
Excess (deficiency) of revenues over expenditures	(910,797)	(910,797)	(909,745)	1,052
Other financing sources (uses)				
Operating transfers in	1,078,500	909,700	909,772	72
Operating transfers out	-	-	-	-
Total other financing sources (uses)	1,078,500	909,700	909,772	72
Excess (deficiency) of revenues and other sources over expenditures and other uses	167,703	(1,097)	27	1,124
Fund balance, December 1, 2005	595	595	595	-
Fund balance, November 30, 2006	\$ 168,298	\$ (502)	\$ 622	\$ 1,124

CLINTON-MACOMB PUBLIC LIBRARY
REPORT TO THE BOARD OF TRUSTEES
March 12, 2007

Andrews Hooper & Pavlik P.L.C.
Certified Public Accountants
3201 University Drive, Suite 350
Auburn Hills, Michigan 48326



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

March 12, 2007

Board of Trustees
Clinton-Macomb Public Library
40900 Romeo Plank Road
Clinton Township, MI 48038-2955

In planning and performing our audit of the financial statements of the Clinton-Macomb Public Library for the year ended November 30, 2006, we considered the entity's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 12, 2007 on the financial statements of the Clinton-Macomb Public Library.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations. Our comments are summarized as follows:

AUTHORIZATION

During our fieldwork we reviewed canceled checks from the month of October 2006. We noted one check in excess of \$100 that did not have the proper number of authorized check signers based on the Library's policy. We recommend the Library's authorization and check signing policy be followed for all checks.

JOURNAL ENTRIES

During our fieldwork, we reviewed ten journal entries made throughout the year. We noted two journal entries that did not have any support. Upon inquiry with accounting personnel, no explanation could be obtained for these entries. We recommend that each journal entry have proper support and be authorized by management prior to entry in the general ledger.

FIXED ASSET DEPRECIATION

During our testing of the Library's fixed asset depreciation schedules, we noted that the Library did not apply the correct estimated useful lives as set by Library policy on several asset additions. We recommend that fixed assets be depreciated over the useful lives as established by Library policy.

DISBURSEMENT TESTING

During our disbursements testing, we selected 22 disbursements for testing of which two were coded to an incorrect account. We recommend that the Library staff take greater care in coding disbursements into the general ledger.

BUDGETING

We noted during our audit procedures that management, in preparing the amended budget for the Debt Service Fund, budgeted a deficit of \$502 for the fund. Under governmental standards, this is not allowed. We recommend that management prepare budgets and amendments such that the fund does not have a deficit.

Sincerely,

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan